HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1347)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

The Board of Directors ("the Board") of Hua Hong Semiconductor Limited ("the Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2015 ("the period").

Highlights include:

- Sales of US$338.4 million in the six months ended 30 June 2015, a 4.3 % increase from US$324.5 million when compared with the same period last year, primarily due to increased demand on eNVM products, discretes and analog and power management ICs.

- Our China revenue grew by 7.6% in the six months ended 30 June 2015, contributed 56.3% of the overall revenue in the period under review as compared to 54.5% of the same period last year.

- Gross margin increased to 31.8% in the six months ended 30 June 2015 from 28.5% in the same period last year, as a result of increased revenue, higher utilization and decreased amortization expenses.

- Profit for the period attributable to owners of the Group was US$61.3 million in the six months ended 30 June 2015 compared to US$44.7 million in the same period last year, an increase of 37.1%.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

	1H 2015	1H 2014	Change
	US$'000	*US$'000*	
	(Unaudited)	(Audited)	
Revenue	**338,372**	324,455	4.3%
Cost of sales	**(230,734)**	(231,937)	(0.5)%
Gross profit	**107,638**	92,518	16.3%
Other income and gains	**13,857**	10,446	32.7%
Fair value gain on an investment property	**–**	412	(100.0)%
Selling and distribution expenses	**(3,389)**	(3,373)	0.5%
Administrative expenses	**(50,758)**	(38,358)	32.3%
Other expenses	**(9)**	(1,827)	(99.5)%
Finance costs	**(4,191)**	(6,539)	(35.9)%
Share of profits of an associate	**2,291**	4,503	(49.1)%
Profit before tax	**65,439**	57,782	13. 3%
Income tax expense	**(4,150)**	(13,085)	(68.3)%
Profit for the period	**61,289**	44,697	37.1%

Explanation on Items with Fluctuation over 5%

Gross Profit

Gross profit increased by 16.3% from US$92.5 million in 1H 2014 to US$107.6 million in 1H 2015. The increase was mainly attributable to increased revenue, higher utilization and decreased amortization expenses.

Other income and gains

Other income and gains increased by 32.7% from US$10.4 million in 1H 2014 to US$13.9 million in 1H 2015. The increase was mainly due to (i) increased interest income, and (ii) foreign exchange gains in 1H 2015.

Fair value gain on an investment property

Fair value gain on an investment property reflected an increase in valuation on that investment property. Market value for this property remained stable in 1H 2015.

Administrative expenses

Administrative expenses increased by 32.3% from US$38.4 million in 1H 2014 to US$50.8 million in 1H 2015. The increase was mainly due to (i) increased labor expenses and R&D expenses, (ii) a US$5.1 million of impairment provision on tools in 2Q 2015, offset by decreased professional expenses.

Other expenses

Other expenses decreased by US$1.8 million, as nil foreign exchange loss incurred in 1H 2015.

Finance costs

Finance costs decreased by 35.9% from US$6.5 million in 1H 2014 to US$4.2 million in 1H 2015, mainly due to the decrease in bank borrowings.

Share of profits of an associate

Share of profits of an associate decreased by 49.1% from US$4.5 million in 1H 2014 to US$2.3 million in 1H 2015, due to decreased profit realized by the associate.

Income tax expense

Income tax expense decreased from US$13.1 million in 1H 2014 to US$4.2 million in 1H 2015, the decrease was mainly due to a reversal of US$11.6 million of dividend withholding tax accrued for the periods of 4Q 2013 and FY2014 based on Company's new dividend policy announced in 2015.

Profit for the period

As a result of the cumulative effect of the above factors, profit for the period increased from US$44.7 million in 1H 2014 to US$61.3 million in 1H 2015. Net profit margin increased from 13.8% in 1H 2014 to 18.1% in 1H 2015.

FINANCIAL STATUS

	30 June 2015 *US$'000* **(Unaudited)**	31 December 2014 *US$'000* (Audited)	Change
Non-current assets			
Property, plant and equipment	**626,432**	568,626	10.2%
Investment property	**191,702**	191,533	0.1%
Investment in an associate	**44,765**	42,030	6.5%
Available-for-sale investments	**230,715**	230,512	0.1%
Other non-current assets	**56,354**	56,330	–
Total non-current assets	**1,149,968**	1,089,031	5.6%
Current assets			
Inventories	**85,061**	93,988	(9.5)%
Trade and notes receivables	**118,615**	107,509	10.3%
Other current assets	**74,349**	50,185	48.1%
Other financial assets	**156,700**	–	100.0%
Pledged and time deposits	**94,445**	2,583	3556.4%
Cash and cash equivalents	**334,937**	646,773	(48.2)%
Total current assets	**864,107**	901,038	(4.1)%
Current liabilities			
Trade payables	**58,169**	63,532	(8.4)%
Other current liabilities	**176,499**	184,349	(4.3)%
Interest-bearing bank borrowings	**62,096**	81,690	(24.0)%
Total current liabilities	**296,764**	329,571	(10.0)%
Net current assets	**567,343**	571,467	(0.7)%
Non-current liabilities			
Interest-bearing bank borrowings	**183,068**	183,031	–
Deferred tax liabilities	**5,283**	11,988	(55.9)%
Total non-current liabilities	**188,351**	195,019	(3.4)%
Net assets	**1,528,960**	1,465,479	4.3%

Explanation on Items with Fluctuation over 5%

Property, plant and equipment

Property, plant and equipment increased from US$568.6 million as of 31 December 2014 to US$626.4 million as of 30 June 2015, as a result of capacity expansion.

Investment in an associate

Investment in an associate increased from US$42.0 million as of 31 December 2014 to US$44.8 million as of 30 June 2015, due to the profit shared from the associate in 1H 2015.

Inventories

Inventories decreased from US$94.0 million as of 31 December 2014 to US$85.1 million as of 30 June 2015, mainly due to lower unit cost of working in progress and finished goods.

Trade and notes receivables

Trade and notes receivables increased from US$107.5 million as of 31 December 2014 to US$118.6 million as of 30 June 2015, mainly due to increased revenue in 1H 2015.

Other current assets

Other current assets included prepayments, deposits and other receivables, and due from related parties. The total amount of other current assets increased from US$50.2 million as of 31 December 2014 to US$74.3 million as of 30 June 2015, mainly due to increased prepayment to suppliers in 1H 2015.

Other financial assets

Other financial assets represent structured products purchased from banks.

Pledged and time deposits

Pledged and time deposits increased from US$2.6 million as of 31 December 2014 to US$94.4 million as of 30 June 2015, due to increase of pledged and time deposits in 1H 2015.

Cash and cash equivalents

Cash and cash equivalents decreased from US$646.8 million as of 31 December 2014 to US$334.9 million as of 30 June 2015, mainly due to cash used in investment activities and repayment of bank borrowings, offset by cash generated in operating activities.

Trade payables

Trade payables decreased from US$63.5 million as of 31 December 2014 to US$58.2 million as of 30 June 2015, mainly due to increased payment in 1H 2015.

Interest-bearing bank borrowings

Total interest-bearing bank borrowings decreased from US$264.7 million as of 31 December 2014 to US$245.2 million as of 30 June 2015, as a result of the repayment of one installment of bank borrowings in 1H 2015.

Deferred tax liabilities

Deferred tax liabilities decreased from US$12.0 million as of 31 December 2014 to US$5.3 million as of 30 June 2015, primarily due to a reversal of US$11.6 million of dividend withholding tax accrued for the periods of 4Q 2013 and FY2014 based on Company's new dividend policy announced in 2015.

CASH FLOW

	1H 2015	1H2014	Change
	US$'000	*US$'000*	
	(Unaudited)	(Audited)	
Net cash flows generated from operating activities	**26,922**	67,884	(60.3)%
Net cash flows used in investing activities	**(314,229)**	(59,061)	432.0%
Net cash flows used in financing activities	**(23,832)**	(26,131)	(8.8)%
Net decrease in cash and cash equivalents	**(311,139)**	(17,308)	1697.7%
Cash and cash equivalents at beginning of the period	**646,773**	317,045	104.0%
Effect of foreign exchange rate changes, net	**(697)**	(1,601)	(56.5)%
Cash and cash equivalents at end of the period	**334,937**	298,136	12.3%

Explanation on Items with Fluctuation over 5%

Net cash flows generated from operating activities

Net cash flows from operating activities decreased from US$67.9 million in 1H 2014 to US$26.9 million in 1H 2015, as US$41.4 million of deposit was pledged for letters of credit at the end of the 1H 2015.

Net cash flows used in investing activities

Net cash flows used in investing activities was US$314.2 million in 1H 2015, which was primarily attributed to (i) US$107.3 million for capital expenditure, (ii) US$156.2 million for purchase of structured products from banks, (iii) US$53.1 million for time deposits, offset by the receipt of interest income.

Net cash flows used in financing activities

Net cash flows used in financing activities was repayment of principal and interest of bank borrowings.

Net decrease in cash and cash equivalents

As a result of the cumulative effect of the above factors, cash and cash equivalents decreased from US$646.8 million as of 31 December 2014 to US$334.9 million as of 30 June 2015.

BUSINESS REVIEW

We are in an exciting period where the company's revenue has reached a record high in the first half of 2015. Looking forward to the second half of the year, we believe we are well positioned to benefit from the strong demand in the MCU market.

Our 0.11μm ultra-low leakage (ULL) embedded flash and EEPROM technology with RF capability has successfully launched and is going to be in production, providing customers with an innovative and cost effective solution with high performance and low power consumption for various MCU applications. We also commenced developing 90nm eNVM processes and these technologies will primarily be used in smart cards and consumer products to enhance our competitiveness.

Our new-generation ultra-high voltage 0.5μm 700V BCD series process platform has achieved mass production with over 98% yield. This process platform mainly focuses on the applications of green energy such as AC-DC converters and LED lighting. This is capable of providing customers with highly competitive single-chip solutions. We expect to gain higher growth from the application during the second half of the year.

Further, we intend to launch the new generation Super Junction MOSFET ("SJNFET") technology platform catering for the energy saving trend in the second half of 2015, which consolidates our leadership in power discrete devices by providing customers with low-cost and high-performance solutions.

We are following our plan to use the net proceeds from our global offering to invest prudently to expand our Fab 1 and Fab 2 manufacturing capacity and Fab 3 cleanroom space during the course of 2015 in order to seize more business opportunities which have been described above.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2015.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd (the "Listing Rules") during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding dealing in the securities of the Company by the directors. Having made specific enquiries of all directors, the Company has received their written confirmations that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2015.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2015.

The Group's unaudited condensed consolidated interim financial information has been reviewed by the Company's Audit Committee and the Company's auditors, Ernst &Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The auditor's review report will be included in the interim report to be despatched to the shareholders of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	**For the six months ended 30 June 2015 (Unaudited) *(US$'000)***	2014 (Audited) *(US$'000)*
Revenue	*4*	**338,372**	324,455
Cost of sales		**(230,734)**	(231,937)
Gross profit		**107,638**	92,518
Other income and gains	*4*	**13,857**	10,446
Fair value gain on an investment property		**–**	412
Selling and distribution expenses		**(3,389)**	(3,373)
Administrative expenses		**(50,758)**	(38,358)
Other expenses		**(9)**	(1,827)
Finance costs	*6*	**(4,191)**	(6,539)
Share of profits of an associate		**2,291**	4,503
PROFIT BEFORE TAX	*5*	**65,439**	57,782
Income tax expense	*7*	**(4,150)**	(13,085)
PROFIT FOR THE PERIOD		**61,289**	44,697
Attributable to owners of the parent		**61,289**	44,697
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	*8*		
Basic			
– For profit for the period		**US$0.06**	US$0.06
Diluted			
– For profit for the period		**US$0.06**	US$0.06

Details of the dividends payable and proposed for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
PROFIT FOR THE PERIOD	**61,289**	44,697
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,192**	(9,568)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**2,192**	(9,568)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,192**	(9,568)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**63,481**	35,129
Attributable to owners of the parent	**63,481**	35,129

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015 (Unaudited) *(US$'000)***	31 December 2014 (Audited) *(US$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		**626,432**	568,626
Investment property		**191,702**	191,533
Prepaid land lease payments		**23,855**	24,194
Intangible assets		**13,390**	14,708
Investment in an associate		**44,765**	42,030
Available-for-sale investments		**230,715**	230,512
Long term prepayment		**11,930**	8,237
Deferred tax assets		**7,179**	9,191
Total non-current assets		**1,149,968**	1,089,031
CURRENT ASSETS			
Inventories		**85,061**	93,988
Trade and notes receivables	*10*	**118,615**	107,509
Prepayments, deposits and other receivables		**36,808**	7,007
Other financial assets	*11*	**156,700**	–
Due from related parties	*16(e)*	**37,541**	43,178
Pledged and time deposits	*12*	**94,445**	2,583
Cash and cash equivalents	*12*	**334,937**	646,773
Total current assets		**864,107**	901,038
CURRENT LIABILITIES			
Trade payables	*13*	**58,169**	63,532
Other payables, advances from customers and accruals		**81,413**	72,310
Interest-bearing bank borrowings	*14*	**62,096**	81,690
Government grants		**60,274**	63,885
Due to related parties	*16(e)*	**17,361**	25,006
Income tax payable		**17,451**	23,148
Total current liabilities		**296,764**	329,571
NET CURRENT ASSETS		**567,343**	571,467
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,717,311**	1,660,498

continued/...

	Notes	**30 June 2015 (Unaudited) *(US$'000)***	31 December 2014 (Audited) *(US$'000)*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,717,311**	1,660,498
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**183,068**	183,031
Deferred tax liabilities		**5,283**	11,988
Total non-current liabilities		**188,351**	195,019
Net assets		**1,528,960**	1,465,479
EQUITY			
Equity attributable to owners of the parent			
Share capital: nominal value		**–**	–
Other statutory capital reserves		**1,550,164**	1,550,164
Share capital and other statutory capital reserves		**1,550,164**	1,550,164
Other reserves		**(21,204)**	(84,685)
Total equity		**1,528,960**	1,465,479

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2015 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2015, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2015 below:

The Group has adopted the following revised HKFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments under Annual *Improvements to HKFRSs 2010-2012 Cycle*	*Amendments to a number of HKFRs*
Amendments under Annual *Improvements to HKFRSs 2011-2013 Cycle*	*Amendments to a number of HKFRs*

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of semiconductor products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

The principal assets employed by the Group are located in Shanghai, the PRC. Therefore, no segment information based on the geographical location of assets is presented for the period.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenues are attributed to geographic areas based on the location of customers. Revenues regarding geographical segments based on the location of customers for the period are presented as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
China (including Hong Kong)	**190,458**	176,986
United States of America	**63,408**	66,412
Europe	**29,223**	28,566
Asia (excluding China and Japan)	**27,988**	32,471
Japan	**27,295**	20,020
	338,372	324,455

Information about major customers

For six months ended 30 June 2015, revenue of approximately US$35,833,000 derived from sales to a single customer accounted for more than 10% of the Group's total revenue (six months ended 30 June 2014: nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered and gross rental income received and receivable from an investment property during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Revenue		
Sale of goods	**338,372**	324,455
Other income		
Rental income	**6,623**	6,595
Interest income	**3,896**	2,044
Government subsidies	**635**	–
Sale of scrap materials	**–**	145
Rendering of service	**226**	830
Others	**309**	632
	11,689	10,246
Gains		
Gain on disposal of items of property, plant and equipment and prepaid land lease payments	**401**	200
Exchange gain	**1,767**	–
	2,168	200
	13,857	10,446

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Cost of inventories sold	**230,734**	231,937
Depreciation	**34,949**	33,528
Recognition of prepaid land lease payments	**360**	360
Amortisation of intangible assets	**2,454**	9,264
Research and development costs	**20,072**	13,822
Operating lease expenses	**1,058**	1,653
Auditors' remuneration	**378**	261
Employee benefit expense:		
Wages, salaries and other benefits	**66,698**	57,682
Pension scheme contribution	**7,794**	7,632
	74,492	65,314
Rental income on an investment property, net	**(6,623)**	(6,595)
Government subsidies	**(635)**	–
Foreign exchange differences, net	**(1,767)**	1,735
Impairment on items of property, plant and equipment	**5,161**	–
Write-down of inventories to net realisable value	**5,416**	1,154
Changes in fair value of an investment property	**–**	(412)

6. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Interest on bank loans	**4,191**	6,539

7. INCOME TAX

Hong Kong profits were subject to profits tax at the rate of 16.5% during the period (six months ended 30 June 2014: 16.5%). No provision for Hong Kong profits tax has been made as the Company and a subsidiary incorporated in Hong Kong had no assessable income during the period (six months ended 30 June 2014: nil).

The Company's subsidiary incorporated in the Cayman Islands is not subject to corporate income tax as it does not have a place of business (other than a registered office) or carry on any business in the Cayman Islands.

All of the Group's subsidiaries registered in the PRC and only having operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries, Shanghai Huahong Grace Semiconductor Manufacturing Corporation ("HHGrace"), is qualified as an enterprise producing integrated circuits less than 0.25 μm in width and thus was entitled to a preferential tax rate of 15% from 2013 to 2017.

7. INCOME TAX (CONTINUED)

The Company's subsidiary incorporated and operating in Japan is subject to a corporation tax rate of 25.5% (six months ended 30 June 2014: 25.5%).

The Company's subsidiary incorporated and operating in the United States is subject to a federal corporation income tax rate of 34% during the period (six months ended 30 June 2014: 34%), as well as state tax at 8.84% (six months ended 30 June 2014: 8.84%).

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Current income tax – PRC	**8,602**	9,831
Current income tax – elsewhere	**238**	8
Deferred tax	**(4,690)**	3,246
	4,150	13,085

The share of tax attributable to an associate amounting to US$734,000 for the period (six months ended 30 June 2014: US$624,000) is included in "Share of profits of an associate" in the interim condensed consolidated statement of profit or loss.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,033,871,656 in issue during the period (six months ended 30 June 2014: 805,175,656).

The Group had no potentially dilutive ordinary shares in issue during the period (six months ended 30 June 2014: nil).

The calculation of earnings per share is based on:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**61,289**	44,697

	Number of shares For the six months ended 30 June	
	2015	2014
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,033,872**	805,176

9. DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10. TRADE AND NOTES RECEIVABLES

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Trade receivables	**89,781**	76,638
Notes receivable	**30,692**	32,729
	120,473	109,367
Impairment of trade receivables	**(1,858)**	(1,858)
	118,615	107,509

The Group's trading terms with its customers are mainly on credit and the credit period is generally 30 to 45 days, extending up to 60 days for major customers. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of provisions, is as follows:

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Within 3 months	**87,214**	73,515
Over 3 months and within 6 months	**408**	913
Over 6 months and within 12 months	**301**	352
	87,923	74,780

11. OTHER FINANCIAL ASSETS

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Structured products	**156,700**	–

The other financial assets are structured products issued by banks with interest rates ranging from 3.80% to 4.60% per annum, maturing within two months to four months as at 30 June 2015.

12. CASH AND CASH EQUIVALENTS AND PLEDGED AND TIME DEPOSITS

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Cash and bank balances	**132,534**	439,556
Time deposits	**296,848**	209,800
	429,382	649,356
Pledged and time deposits:		
Pledged deposits for letters of credit	**(41,359)**	(2,583)
Time deposits with original maturity of more than three months	**(53,086)**	–
Cash and bank equivalents	**334,937**	646,773

Pledged deposits with a carrying value of US$41,359,000 as at 30 June 2015 (31 December 2014: US$2,583,000) were pledged to secure the issuance of letters of credit.

Time deposits with original maturity of more than three months with a carrying value of US$53,086,000 as at 30 June 2015 (31 December 2014: nil) will mature within six months.

13. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Within 1 month	**24,778**	34,796
Over 1 months and within 3 months	**22,541**	21,520
Over 3 months and within 6 months	**1,815**	1,180
Over 6 months and with 12 months	**3,864**	1,013
Over 12 months	**5,171**	5,023
	58,169	63,532

The trade payables are unsecured, non-interest-bearing and normally settled on 30 to 60 day terms.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate (%)	**Maturity**	***US$'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*US$'000* (Audited)
Current						
Current portion of long term bank loans – secured	**2.0-6.6**	**2015**	**62,096**	2.0-6.6	2015	81,690
Non-current						
Secured bank loans	**2.0-6.6**	**2016-2018**	**183,068**	2.0-6.6	2016-2018	183,031
			245,164			264,721

14. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	30 June 2015 (Unaudited) ***(US$'000)***	31 December 2014 (Audited) *(US$'000)*
Analysed into:		
Bank loans repayable:		
Within one year	**62,096**	81,690
In the second year	**62,096**	62,079
In the third to fifth years, inclusive	**120,972**	120,952
	245,164	264,721

As at 30 June 2015 and 31 December 2014, the Group's bank loans were secured by the pledges of the Group's assets with carrying values as follows:

	30 June 2015 (Unaudited) ***(US$'000)***	31 December 2014 (Audited) *(US$'000)*
Property, plant and equipment	**526,174**	458,462
Investment property	**191,702**	191,533
Prepaid land lease payments	**24,575**	24,914
Intangible assets	**10,983**	10,599
	753,434	685,508

In addition to the assets pledged above, the Group's secured bank loans as at 30 June 2015 and 31 December 2014 were secured by the Company's 36.23% of equity interest in its subsidiary, HHGrace.

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2015 (Unaudited) ***(US$'000)***	31 December 2014 (Audited) *(US$'000)*
Contracted, but not provided for:		
Property, plant and equipment	**55,008**	24,176

16. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	**Relationship with the Group**
Huahong Group and its subsidiaries	
– Shanghai Huahong (Group) Co., Ltd. ("Huahong Group")	the holding company of Hua Hong International
– Shanghai Huahong Zealcore Electronics Co., Ltd. ("Huahong Zealcore")	Subsidiary of Huahong Group
– Shanghai Hongri International Electronics Co., Ltd. ("Hongri")	Subsidiary of Huahong Group
– Shanghai Integrated Circuit Research and Development Center ("ICRD")	Subsidiary of Huahong Group
– Shanghai Hua Hong Jitong Smart System Co., Ltd. ("Jitong")	Subsidiary of Huahong Group

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Name and relationship (Continued)

Name of related party	Relationship with the Group
Shanghai Belling and its subsidiaries	
– Shanghai Belling Co., Ltd. ("Shanghai Belling") *	the holding company of Hylintek
– Hylintek Limited ("Hylintek") **	Shareholder of the Company
NEC Corporation ("NEC")	Shareholder of the Company
– NEC Management Partner, Ltd. ("NEC Management") ***	Subsidiary of NEC
SAIL and its subsidiaries	
– Sino-Alliance International Ltd. ("SAIL International")	Subsidiary of SAIL
– Shanghai Huali Microelectronics Co., Ltd. ("Shanghai Huali")	Subsidiary of SAIL
– QST Corporation ("QST")	Subsidiary of SAIL
INESA and its subsidiaries	
– Shanghai INESA Intelligent Electronics Co., Ltd. ("Shanghai INESA")	Subsidiary of INESA
– Shanghai Nanyang Software System Integration Co., Ltd. ("Nanyang Software")	Subsidiary of INESA
– Shanghai Nanyang Wanbang Information Technology Service Co., Ltd. ("Wanbang IT")	Subsidiary of INESA
Shanghai Huahong Technology Development Co., Ltd. ("Huahong Technology Development")	Associate of the Group
Huahong Real Estate Co., Ltd. ("Huahong Real Estate")	Subsidiary of Huahong Technology Development
Shanghai Huajin Property Management Co., Ltd. ("Huajin")	Subsidiary of Huahong Technology Development
CEC and its subsidiaries	
– China Electronics Corporation ("CEC")	Shareholder of Huahong Group
– CEC Huada Electronic Design Co., Ltd. ("Huada")	Subsidiary of CEC
– Shanghai Huahong Integrated Circuit Co., Ltd. ("Shanghai Huahong IC")	Subsidiary of CEC
– Beijing Huahong IC Design Co., Ltd. ("Beijing Huahong IC")	Subsidiary of CEC

* *The parent and the ultimate parent of Shanghai Belling is CEC.*

** *On 1 December 2014, Hylintek Limited entered into an agreement with SAIL International whereby Hylintek Limited agreed to sell and SAIL International agreed to purchase 64,010,100 shares of the Company (the "Share Purchase"). Following completion of the Share Purchase, Hylintek ceased to hold any shares in the Company as of 12 May 2015.*

*** *NEC Management is previously known as NEC Purchasing Service, Ltd.*

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Audited)
	(US$'000)	*(US$'000)*
Sales of goods to related parties *(note (i))*		
Huada	**14,358**	25,609
Shanghai Huahong IC	**7,304**	6,648
Huahong Zealcore	**4,603**	6,272
Shanghai Belling	**4,511**	2,241
ICRD	**3,718**	2,627
Hongri	**306**	486
QST	**85**	168
Beijing Huahong IC	**–**	650
Shanghai Huali	**–**	1
Purchases of goods from related parties *(note (ii))*		
Hylintek	**3,246**	1,773
Hongri	**2,846**	1,446
NEC Management	**302**	380
Huahong Zealcore	**234**	174
Jitong	**3**	8
ICRD	**–**	146
Service fees income from related parties *(note (iii))*		
QST	**226**	830
Service fee charged by related parties *(note (iv))*		
Huahong Real Estate	**1,927**	–
Huajin	**102**	102
Shanghai INESA	**101**	7
Nanyang Software	**2**	21
Wanbang IT	**–**	32
Rental income from a related party *(note (iii))*		
Shanghai Huali	**6,435**	6,595
Rental expense charged by a related party *(note (iv))*		
Huahong Real Estate	**818**	1,041
Expense paid on behalf of a related party *(note (v))*		
Shanghai Huali	**12,843**	11,752
Interest income on entrusted loans		
Huahong Technology Development	**–**	323

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions (Continued)

Note (i): The sales of goods to the related parties were made according to the prices and terms agreed between the related parties.

Note (ii): The purchases of goods from the related parties were made according to the prices and terms offered by the related parties.

Note (iii): The rental income and service fee income from related parties were received according to the prices and terms agreed between the related parties.

Note (iv): The rental expense and service fees charged by related parties were paid according to the prices and terms agreed between the related parties.

Note (v): The expense paid on behalf of the related party is interest-free and repayable on demand.

(c) Non-cash related party transaction

In 2014, HHGrace invested RMB10.5 million in QST in the form of intellectual property transfer in accordance with the binding term sheet signed by HHGrace on 18 August 2012. On 18 May 2014, QST and HHGrace signed an agreement regarding certain products and services provided by HHGrace to QST for the period from 1 January 2013 to 31 March 2017, including wafer products and masking, technology development and maintenance services, in exchange for the aforesaid intellectual property.

(d) Other related party transaction

In 2011, one of the Group's subsidiaries, Shanghai Hua Hong NEC Electronics Co., Ltd. ("HHNEC") and Huahong Group entered into a cash pooling arrangement. Under such arrangement, HHNEC and Huahong Group entered into RMB900,000,000 loans with each other. According to the PRC Contract Law, the agreement and the mutual understanding of both parties, the receivables and payables resulting from loans under such cash pooling arrangement can be set off. On 9 June 2014, HHNEC and Huahong Group settled the receivables and payables on a net basis and terminated such loans.

(e) Outstanding balances with related parties

	30 June 2015 (Unaudited) *(US$'000)*	31 December 2014 (Audited) *(US$'000)*
Amounts due from related parties		
Huada	**17,221**	21,589
Shanghai Huahong IC	**7,307**	4,149
Shanghai Huali	**4,872**	7,056
Huahong Zealcore	**3,466**	5,303
Huahong Real Estate	**2,470**	3,295
Shanghai Belling	**1,872**	1,411
ICRD	**157**	128
Hongri	**105**	242
QST	**71**	5
	37,541	43,178

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Outstanding balances with related parties (Continued)

	30 June 2015 (Unaudited) *(US$'000)*	31 December 2014 (Audited) *(US$'000)*
Amounts due to related parties		
Shanghai Huali	**12,365**	18,688
Hylintek	**1,765**	1,486
ICRD	**1,324**	1,159
Hongri	**918**	783
QST	**711**	891
Shanghai INESA	**88**	–
NEC management	**77**	110
Huahong Zealcore	**69**	114
Nanyang Software	**20**	–
Huahong Real Estate	**18**	1,774
Jitong	**6**	–
Shanghai Belling	**–**	1
	17,361	25,006

Balances with the related parties or subsidiaries were unsecured, non-interest-bearing and had no fixed repayment terms.

(f) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015 (Unaudited) *(US$'000)*	2014 (Audited) *(US$'000)*
Short term employee benefits	**1,219**	1,108
Pension scheme contributions	**25**	20
Total compensation paid to key management personnel	**1,244**	1,128

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2015.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed and approved the unaudited results of the Group for the six months ended 30 June 2015 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.huahonggrace.com). The interim report for the six months ended 30 June 2015 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Hua Hong Semiconductor Limited
Mr. Wenbiao Fu
Chairman and Executive Director

Shanghai, PRC, 4 August 2015

As at the date of this announcement, the directors of the Company are:

Executive Directors
Wenbiao Fu *(Chairman)*
Yu Wang *(President)*

Non-executive Directors
Jianbo Chen
Yuchuan Ma
Takayuki Morita
Jun Ye

Independent Non-executive Directors
Stephen Tso Tung Chang
KwaiHuen Wong, JP
Long Fei Ye